

Message Text

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ACTION EUR-12

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INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02

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OPIC-03 LAB-04 EPG-02 SIL-01 OMB-01 NSCE-00

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FM AMEMBASSY MADRID

TO SECSTATE WASHDC IMMEDIATE 906

INFO AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY LISBON

C O N F I D E N T I A L SECTION 1 OF 2 MADRID 5114

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E.O. 11652: GDS

TAGS: EFIN, EGEN, ETRD, PFOR, SP

SUBJECT: PROFILE OF ECONOMIC SUPER-MINISTER FUENTES QUINTANA

REF: (A) 76 MADRID 9475, (B) 76 MADRID 8778

SUMMARY: THE MOST IMPORTANT NEW CABINET APPOINTMENT, BOTH DOMESTICALLY AND FROM THE POINT OF VIEW OF US INTERESTS, IS THAT OF ENRIQUE FUENTES QUINTANA AS SECOND VICE PRESIDENT AND MINISTER FOR ECONOMIC AFFAIRS. FUENTES QUINTANA HAS APPARANTELY BEEN GIVEN A BROAD MANDATE BY SUAREZ TO HANDLE OVERALL DIRECTION FO THE SPANISH ECONOMY. HE, AND TO A LESSER EXTENT, NEW FINANCE MINISTER FERNANDEZ ORDONEZ (PROFILE SENT SEPTTEL) WILL BE THE MAJOR FIGURES IN SPAIN'S EFFORT TO HARNESS ITS ECONOMIC DIFFICULTIES AND UNDERTAKE NEEDED REFORMS IN THIS AREA. A BRILLIANT AND MUCH RESPECTED ACADEMIC ECONOMIST, FUENTES QUINTANA HAS CON-

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SISTENTLY STRESSED THE VALUE OF MARKETS IN PROMOTING ECONOMIC EFFICIENCY AND EVELOPMENT AND HAS ADVOCATED AN ECONOMIC STABILIZATION PROGRAM AN EARLY DATE TO DEAL WITH THE TWIN DIFFICULTIES OF BALANCE OF APYMENTS AND INFLATION. HE HAS RECOMMENDED SUCH MEASURES AS DEPRECIATION OF THE PESETA AND RECOURSE TO IMF TRANCHES, MONETARY RESTRAINT, TAX REFORM, HIGHER

ENERGY PRICES, REDUCTION OF STATE SUBSIDIES TO INDUSTRIES, AND RESISTING PROTECTIONIST MEASURES WHILE PROMOTING EXPORTS. DESPITE THE BROAD MANDATE, FUENTES QUINTANA WILL FIND THAT IT IS ONE THING TO BE AN ACADEMIC ECONOMIST AND ANOTHER TO OPERATE A NATIONAL ECONOMY IN THE FACE OF POLITICAL AND SOCIAL REALITIES, AND IT IS HERE RATHER THAN ANY QUESTION OF HIS ECONOMIC BRILLIANCE, THAT THE ULTIMATE FATE OF FUENTES QUINTANA'S MANDATE WILL PROBABLY BE TESTED. END SUMMARY.

1. THE MOST IMPORTANT NEW APPOINTMENT BY PRESIDENT SUAREZ IS THAT OF ENRIQUE FUENTES QUINTANA TO BE SECOND VICE PRESIDENT FOR ECONOMIC AFFAIRS. ONE OF SPAIN'S MOST EMINENT ECONOMISTS, FUENTES ADVOCATES SPEEDY PREPARATION OF A COMPREHENSIVE ECONOMIC STABILIZATION PROGRAM AND HE CONSTANTLY EMPHASIZES THE NEED FOR INCREASED RELIANCE ON MARKET MECHANISMS. HIS APPROACH TO SPAIN'S PROBLEMS HAS BEEN A CLASSICAL ECONOMIC ONE, AND FUENTES IS LESS INCLINED TO RELY ON TRADE PROTECTION THAN OTHERS SUAREZ COULD HAVE NAMED TO THIS POST.

2. THE POSITION FUENTES QUINTANA WILL OCCUPY IN NEW. AS SECOND VICE PRESIDENT, HE WILL BE THE RANKING ECONOMIC POLICY MAKER AND WILL CHAIR THE CABINET'S DELEGATED COMMISSION FOR ECONOMIC AFFAIRS. A NEW CONFIDENTIAL

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MINISTRY OF ECONOMICS IS BEING FORMED FOR HIS AND IT WILL INCLUDE THE PRESIDENTIAL PLANNING VICE SECRETARIAT, NOW TO BE CALLED THE STATE SECRETARIAT FOR ECONOMIC COORDINATION AND PROGRAMMING, AND A NEW STATE SECRETARIAT FOR ECONOMICS. THE ECONOMICS MINISTRY WILL ALSO BE RESPONSIBLE FOR SPANISH FINANCIAL POLICY AND THE SUPERVISION OF THE BANK OF SPAIN, THE OFFICIAL CREDIT INSTITUTE AND THE STATISTICAL INSTITUTE. FROM THESE AND OTHER ORGANIZATIONAL ANNOUNCEMENTS IT APPEARS THAT FUENTES QUINTANA WILL FORMULATE THE OVERALL POLICIES (ECONOMIC STABILIZATION, THE STRENGTHENING OF MARKETS, ETC.) AND WILL SHARE CONTROL OF FISCAL MATTERS WITH FINANCE MINISTER FERNANDEZ ORDONEZ.

3. ALTHOUGH NO SPANISH ECONOMIST WILL NEED TO ASK WHO FUENTES QUINTANA IS, THOSE NOW INTERESTED WILL LEARN THAT HE IS RELATIVELY APOLITICAL AND PRIMARILY AN ACADEMIC AND WRITER, CONSIDERED A SHY MAN, HE HAS OFTEN STATED HIS AVERSION TO HOLDING HIGH PUBLIC OFFICE AND HAS MORE THAN ONCE DECLINED OFFERS OF A MINISTRY. LAST YEAR HE TURNED DOWN SUAREZ' OFFER TO

BY MINISTER OF COMMERCE. RELEVANT GOVERNMENT EXPERIENCE INCLUDES PARTICIPATION IN THE 1959 SPANISH STABILIZATION PLAN AND HEADING THE FISCAL STUDIES INSTITUTE. HE HAS EDITED BOTH THE MINISTRY OF FINANCE'S "SPANISH PUBLIC FINANCE" AND THE COMMERCE MINISTRY'S "SPANISH COMMERCIAL INFORMATION." UNTIL THIS APPOINTMENT, FUENTES HAS BEEN THE HIGHLY VISIBLE CHIEF OF STUDIES FOR SPANISH SAVINGS BANKS.

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4. FUENTES HAS VIEWED HIMSELF AS AN UNFETTERED ACADEMIC CRITIC OF SPANISH ECONOMIC AFFAIRS. HIS CAREER BEGAN AS AN ECONOMICS PROFESSOR AT THE UNIVERSITY OF VALLADOLID, AND HE LATER TAUGHT AT MADRID'S COMPLUTENSE UNIVERSITY. "ACTUALIDAD ECONOMICA," SPAIN'S LEADING ECONOMIC JOURNAL, AND MADRID'S NEWSPAPERS AND MAGAZINES REGULARLY PRINT HIS CONTRIBUTIONS AND INTERVIEWS. HIS WRITINGS ARE CHARACTERIZED BY ORDERLINESS AND COMPREHENSIVENESS. AN IMPATIENT INTELLECT, HIS REPUTATION AND LEADERSHIP AMONG ECONOMISTS HERE ARE SUCH THAT HIS JUDGEMENTS ARE RARELY CHALLENGED. THOSE CLOSE TO FUENTES QUINTANA SAY HIS PRIVATE INSTINCTS ARE BASICALLY CONSERVATIVE, ALTHOUGH HE HAS MANY LIBERAL FRIENDS. HE HAS HAD LINKS IN THE PAST WITH OPUS DEI TECHNOCRATS AND CONSERVA-

TIVE CHRISTIAN DEMOCRATS, BUT HE IS BASICALLY APOLITICAL,
A SITUATION THAT HAS PROBABLY HELPED HIS STANDING. IN FACT,
HE HAS LIMITED HIS POLITICAL COMMENT TO STRONG ENDORSEMENT
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OF PLURALIST DEMOCRACY AND OF AN EDUCATED CITIZENRY.

5. FUENTES SEES THE SPANISH BALANCE OF PAYMENTS AS
SPAIN'S MOST PRESSING PROBLEM, AND INFLATION AS THE MOST
SERIOUS. THE HEART OF THE FUENTES ECONOMIC PRESCRIPTION
FOR THE TWO PROBLEMS IS ECONOMIC STABILIZATION, WHICH TO
HIM MEANS A FORM OF "PROGRAMMED" WAGES AND PRICES COUPLED
WITH A COMPREHENSIVE PACKAGE OF OTHER SIMULTANEOUS MEASURES.
SPECIFIC MEASURES HE HAS RECOMMENDED IN THE PAST
INCLUDE DEPRECIATION OF THE PESETA AND RECOURSE TO IMF
TRANCHES, MONETARY RESTRAINT, TAX REFORM, HIGHER ENERGY
PRICES, REDUCTION OF STATE SUBSIDIES TO INDUSTRIES, A FREER LABOR
MARKET, COST RESTRAINT AND FINANCING CHANGES FOR SOCIAL SECURITY
PROGRAMS, MARKET PRICING OF PUBLIC ENTERPRISE PRODUCTION, HIGHER
INTEREST RATES TO RATIONALIZE FINANCIAL MARKETS, AND RESISTING
PROTECTIONIST MEASURES WHILE PROMOTING EXPORTS. THE UNI-
FYING CONCEPT IN THIS THINKING IS RELIANCE ON MARKET FORCES
TO PROMOTE ECONOMIC EFFICIENCY. FOLLOWING HIS JULY 4
APPOINTMENT AS SECOND VICE PRESIDENT HE REITERATED HIS
DETERMINATION TO WORK FOR AN INCREASED ROLE FOR COMPETI-
TION AND MARKETS.

6. FUENTES (AGE 52) IS MARRIED AND HAS THREE CHILDREN.
HE IS NOT ACTIVE SOCIALLY, PREFERRING THE REALM OF THE
INTELLECT. HE SPEAKS NO FOREIGN LANGUAGES, SHIES AWAY
FROM FOREIGNERS AND HAS NEVER BEEN TO THE US. HE DOES, HOWEVER,
READ ENGLISH AND IS AN ADMIRER OF THE WRITINGS OF SAMUELSON,
FRIEDMAN AND OTHER AMERICAN ECONOMISTS.

7. REFTELS CONTAIN FUENTES QUINTANA'S GENERAL ANALYSIS OF
SPAIN'S ECONOMIC PROBLEMS. STABLER

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